

UNITED COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2007

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United Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2006 Election)		
Janis Hansen	President	2006
Kathy Toms	Vice President	2007
Peggy Soderstrum	Board Member	2006
Keven Arrowsmith	Board Member	2008
Matt Swanson	Board Member	2008

Board of Education  
(After September 2006 Election)

Janis Hansen	President	2009
Kathy Toms	Vice President	2007
Augustus Lartius	Board Member(deceased)	2009
Cheri Johnsen	Board Member(appointed)	2007
Keven Arrowsmith	Board Member(resigned)	2008
Darla Hayworth	Board Member(appointed)	2007
Matt Swanson	Board Member	2008

School Officials

Dr. Michele Schleuning	Superintendent	2007
Shelly Carter	Board Secretary/ Treasurer	2007
Ahlers & Cooney, P.C.	Attorney	2007

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
United Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the United Community School District, Boone, Iowa as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of United Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 7, 2008 on our consideration of United Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 33 through 34 are not required parts of the basic financial statements, but are supplementary

information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise United Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 2, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

NOLTE, CORNMAN & JOHNSON, P.C.

March 7, 2008

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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United Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2007 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$4,077,509 in fiscal 2006 to \$4,065,813 in fiscal 2007, while General Fund expenditures increased from \$3,796,940 in fiscal 2006 to \$3,972,999 in fiscal 2007. This still resulted in an increase in the District's General Fund balance from \$1,364,243 in fiscal 2006 to \$1,457,057 in fiscal 2007, a 6.8% increase from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in state sources in fiscal 2007. The increase in expenditures was due primarily to an increase in the instruction functional areas.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of United Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report United Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which United Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

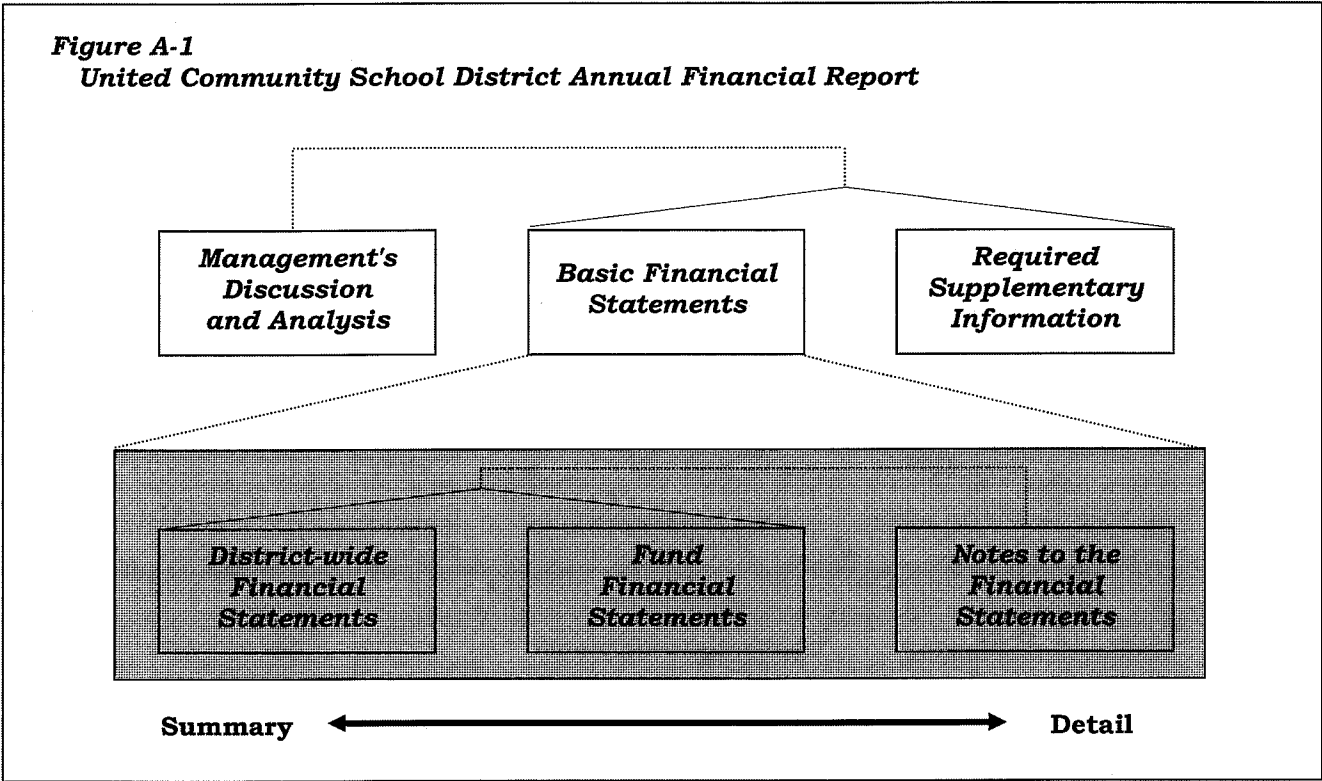


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b> <b>Major Features of the Government-wide and Fund Financial Statements</b>			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid



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## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide

financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has three enterprise funds, the School Nutrition Fund, the School Resale Fund and the Daycare Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 5,073,077	4,755,091	103,842	79,352	5,176,919	4,834,443	7.08%
Capital assets	1,567,449	1,612,669	49,432	57,192	1,616,881	1,669,861	-3.17%
Total assets	6,640,526	6,367,760	153,274	136,544	6,793,800	6,504,304	4.45%
Long-term obligations	33,592	47,851	0	0	33,592	47,851	-29.80%
Other liabilities	2,130,864	2,319,122	11,095	6,561	2,141,959	2,325,683	-7.90%
Total liabilities	2,164,456	2,366,973	11,095	6,561	2,175,551	2,373,534	-8.34%
Net assets:							
Invested in capital assets, net of related debt	1,567,449	1,612,669	49,432	57,192	1,616,881	1,669,861	-3.17%
Restricted	1,375,404	980,815	0	0	1,375,404	980,815	40.23%
Unrestricted	1,533,217	1,407,303	92,747	72,791	1,625,964	1,480,094	9.86%
Total net assets	\$ 4,476,070	4,000,787	142,179	129,983	4,618,249	4,130,770	11.80%

The District's combined net assets increased by 11.80%, or \$487,479, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$394,589, or 40.23% over the prior year. The increase was primarily a result of the District's increase in fund balances in the Special Revenue, Physical Plant and Equipment Levy Fund, the Special Revenue, Management Levy Fund and the Capital Projects Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$145,870, or 9.86%. This increase in unrestricted net assets was a result of the District's increase in the General Fund balance.

Figure A-4 shows the changes in net assets for the years ended June 30, 2007 and 2006.

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Revenues:							
Program revenues:							
Charges for services	\$ 1,241,317	1,067,979	183,387	144,978	1,424,704	1,212,957	17.46%
Operating grants and contributions and restricted interest	376,945	344,333	63,785	47,941	440,730	392,274	12.35%
General revenues:							
Property tax	2,035,241	2,003,891	0	0	2,035,241	2,003,891	1.56%
Local option sales and service tax	187,882	193,187	0	0	187,882	193,187	-2.75%
Unrestricted state grants	787,298	1,000,132	0	0	787,298	1,000,132	-21.28%
Other	146,789	119,262	3,973	(1,278)	150,762	117,984	27.78%
Total revenues	4,775,472	4,728,784	251,145	191,641	5,026,617	4,920,425	2.16%
Program expenses:							
Governmental activities:							
Instructional	2,957,905	2,854,502	0	0	2,957,905	2,854,502	3.62%
Support services	1,014,631	900,446	0	0	1,014,631	900,446	12.68%
Non-instructional programs	2,029	2,610	238,949	185,372	240,978	187,982	28.19%
Other expenses	325,624	230,521	0	0	325,624	230,521	41.26%
Total expenses	4,300,189	3,988,079	238,949	185,372	4,539,138	4,173,451	8.76%
Change in net assets before capital contributions	475,283	740,705	12,196	6,269	487,479	746,974	-34.74%
Capital Contributions	0	0	0	8,026	0	8,026	-100.00%
Change in net assets	475,283	740,705	12,196	14,295	487,479	755,000	-35.43%
Net assets beginning of year	4,000,787	3,260,082	129,983	115,688	4,130,770	3,375,770	22.37%
Net assets end of year	\$ 4,476,070	4,000,787	142,179	129,983	4,618,249	4,130,770	11.80%

In fiscal 2007, property tax and unrestricted state grants account for 59.1% of the revenue from governmental activities while charges for services and operating grants and contributions account for 98.4% of the revenue from business type activities.

The District's total revenues were approximately \$5.03 million of which \$4.78 million was for governmental activities and \$.25 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.16% increase in revenues and an 8.76% increase in expenses. The increase in expenses was related to an increase in the instructional function.

Changes in revenues will be as a result of changes in student participation, whether in the regular, special or extracurricular programs. The most significant change in revenues was due to the increase in property tax monies. Fluctuations in basic enrollment will significantly impact the state revenues, as well as property tax revenues, keeping in mind that neither source of funding

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will be ever fully realized with current law and funding structure as set by the legislature, and possible mid-year reduction of funding on the part of the state.

The most significant fluctuation in expenditure levels will be caused by increased salary and benefit obligations, in large part resulting from collective bargaining agreements. With a declining enrollment comes lesser ability to fund various programs required by the state and constant evaluation of staffing needs becomes a priority. Even with certain staff reductions there may still be an increase in expenditures due to the salary and benefit requirements.

The District makes a continual effort to be a good steward of public funds and maintains a philosophy of providing the best education possible, exploring every avenue available to fund the programs, while making certain to keep watch for services that could be merged with other programs. The District saw an overall greater increase in revenues than the increase in expenditures, demonstrating an increase in the financial position for the year.

### **Governmental Activities**

Revenues for governmental activities were \$4,775,472 and expenses were \$4,300,189. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-07	2007	2006	Change 2006-07
Instruction	\$ 2,957,905	2,854,502	3.62%	1,463,929	1,563,469	-6.37%
Support services	1,014,631	900,446	12.68%	1,009,784	897,018	12.57%
Non-instructional	2,029	2,610	-22.26%	2,029	2,610	-22.26%
Other expenses	325,624	230,521	41.26%	206,185	112,670	83.00%
Totals	<u>\$ 4,300,189</u>	<u>3,988,079</u>	<u>7.83%</u>	<u>2,681,927</u>	<u>2,575,767</u>	<u>4.12%</u>

- The cost financed by users of the District's programs was \$1,241,317.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$376,945.
- The net cost of governmental activities was financed with \$2,035,241 in property tax, \$187,882 in local option sales and services tax, \$787,298 in unrestricted state grants and \$136,544 in interest income.

### **Business-Type Activities**

Revenues of the District's business-type activities were \$251,145 and expenses were \$238,949. The District's business-type activities include the School Nutrition Fund, the School Resale, and the Daycare Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and interest income.

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## **INDIVIDUAL FUND ANALYSIS**

As previously noted, the United Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$2,850,847, above last year's ending fund balances of \$2,344,603. However, the primary reason for the increase in combined fund balances in fiscal 2007 is due to the increase in the fund balances in all funds.

### **Governmental Fund Highlights**

- The District's growing General Fund financial position from is the product of many factors:
  - Increase in local sources during the year resulted in an increase in revenues.
  - The financial position of the General Fund improved despite the increase in instruction expenditures.
- The Management Fund balance increased from \$318,184 in fiscal 2006 to \$426,072 in fiscal 2007.
- The Capital Projects Fund balance increased from \$140,602 in fiscal 2006 to \$330,101 in fiscal 2007. This was due to the decrease in expenditures from fiscal year 2006 to fiscal year 2007.
- The Physical Plant and Equipment Levy Fund balance increased from \$510,879 in fiscal 2006 to \$626,155 in fiscal 2007. This increase was partially due to the increase in revenues from fiscal 2006 to fiscal 2007.
- The Student Activity Fund balance increased from \$10,695 to \$11,462.

### **Proprietary Fund Highlights**

The Proprietary Fund net assets increased from \$129,983 at June 30, 2006 to \$142,179 at June 30, 2007, representing an increase of 9.4%.

## **BUDGETARY HIGHLIGHTS**

The District's revenues were \$205,692 less than budgeted revenues, a variance of 3.9%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2007, the District had invested \$1,616,881, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 3.17% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$185,522.

The original cost of the District's capital assets was \$4,028,379. Governmental funds account for \$3,935,724 with the remainder of \$92,655 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$318,082 at June 30, 2007, compared to \$405,771 reported at June 30, 2006. This decrease resulted from the current year depreciation expense.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Land	\$ 30,821	30,821	0	0	30,821	30,821	0.00%
Buildings	295,340	318,441	0	0	295,340	318,441	-7.25%
Land improvements	256,669	282,322	0	0	256,669	282,322	-9.09%
Building improvements	715,969	632,506	0	0	715,969	632,506	13.20%
Machinery and equipment	268,650	348,579	49,432	57,192	318,082	405,771	-21.61%
Total	\$ 1,567,449	1,612,669	49,432	57,192	1,616,881	1,669,861	-3.17%

### Long-Term Debt

At June 30, 2007, the District had \$33,592 in long-term debt outstanding. This represents a decrease of 29.8% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding early retirement payable of \$20,120 at June 30, 2007.

The District had outstanding compensated absences at June 30, 2007 of \$13,472.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2007	2006	2006-07
Early retirement	\$ 13,472	19,315	-30.3%
Compensated absences	20,120	28,536	-29.5%
Totals	\$ 33,592	47,851	-29.8%

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## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District is nearing the end of a whole grade sharing agreement with Boone Community School District in June 2009.
- The continuing phase out of the budget guarantee is also an issue the District is dealing with.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kent Bultman, Business Manager/Board Secretary, United Community School District, 1284 U Avenue, Boone, Iowa, 50036.

## BASIC FINANCIAL STATEMENTS



UNITED COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 2,399,953	95,874	2,495,827
Receivables:			
Property tax:			
Delinquent	14,843	0	14,843
Succeeding year	1,836,971	0	1,836,971
Income surtax	91,366	0	91,366
Accounts	0	6,000	6,000
Due from other governments	729,944	0	729,944
Inventories	0	1,968	1,968
Capital assets, net of accumulated depreciation (Note 4)	1,567,449	49,432	1,616,881
<b>Total Assets</b>	<b>6,640,526</b>	<b>153,274</b>	<b>6,793,800</b>
<b>Liabilities</b>			
Interfund payable	7,298	(7,298)	0
Accounts payable	109,333	635	109,968
Salaries and benefits payable	177,262	17,009	194,271
Deferred revenue:			
Succeeding year property tax	1,836,971	0	1,836,971
Unearned revenue	0	749	749
Long-term liabilities (Note 5):			
Portion due within one year:			
Compensated absences	13,472	0	13,472
Early retirement payable	5,365	0	5,365
Portion due after one year:			
Early retirement payable	14,755	0	14,755
<b>Total Liabilities</b>	<b>2,164,456</b>	<b>11,095</b>	<b>2,175,551</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	1,567,449	49,432	1,616,881
Restricted for:			
Market factor	1,734	0	1,734
Capital projects	330,101	0	330,101
Management levy	405,952	0	405,952
Physical plant and equipment levy	626,155	0	626,155
Other special revenue purposes	11,462	0	11,462
Unrestricted	1,533,217	92,747	1,625,964
<b>Total Net Assets</b>	<b>\$ 4,476,070</b>	<b>142,179</b>	<b>4,618,249</b>

SEE NOTES TO FINANCIAL STATEMENTS.

UNITED COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 2,473,409	954,077	233,147	(1,286,185)	0	(1,286,185)
Special instruction	396,610	265,125	20,288	(111,197)	0	(111,197)
Other instruction	87,886	21,339	0	(66,547)	0	(66,547)
	<u>2,957,905</u>	<u>1,240,541</u>	<u>253,435</u>	<u>(1,463,929)</u>	<u>0</u>	<u>(1,463,929)</u>
Support services:						
Student services	138,821	0	0	(138,821)	0	(138,821)
Instructional staff services	18,336	0	0	(18,336)	0	(18,336)
Administration services	390,936	0	0	(390,936)	0	(390,936)
Operation and maintenance of plant services	257,260	0	0	(257,260)	0	(257,260)
Transportation services	209,278	776	4,071	(204,431)	0	(204,431)
	<u>1,014,631</u>	<u>776</u>	<u>4,071</u>	<u>(1,009,784)</u>	<u>0</u>	<u>(1,009,784)</u>
Non-instructional programs:						
Food service operations	1,570	0	0	(1,570)	0	(1,570)
Community service operations	459	0	0	(459)	0	(459)
	<u>2,029</u>	<u>0</u>	<u>0</u>	<u>(2,029)</u>	<u>0</u>	<u>(2,029)</u>
Other expenditures:						
Facilities and acquisitions	112,176	0	0	(112,176)	0	(112,176)
AEA flowthrough	119,439	0	119,439	0	0	0
Depreciation(unallocated)*	94,009	0	0	(94,009)	0	(94,009)
	<u>325,624</u>	<u>0</u>	<u>119,439</u>	<u>(206,185)</u>	<u>0</u>	<u>(206,185)</u>
Total governmental activities	<u>4,300,189</u>	<u>1,241,317</u>	<u>376,945</u>	<u>(2,681,927)</u>	<u>0</u>	<u>(2,681,927)</u>
Business-Type activities:						
Non-instructional programs:						
Nutrition services	143,638	65,348	63,785	0	(14,505)	(14,505)
Resale activities	1,808	2,725	0	0	917	917
Daycare activities	93,503	115,314	0	0	21,811	21,811
Total business-type activities	<u>238,949</u>	<u>183,387</u>	<u>63,785</u>	<u>0</u>	<u>8,223</u>	<u>8,223</u>
Total	<u>\$ 4,539,138</u>	<u>1,424,704</u>	<u>440,730</u>	<u>(2,681,927)</u>	<u>8,223</u>	<u>(2,673,704)</u>
General Revenues and Transfers:						
Local tax for:						
General purposes				\$ 1,752,756	0	1,752,756
Capital outlay				282,485	0	282,485
Local option sales and services tax				187,882	0	187,882
Unrestricted state grants				787,298	0	787,298
Unrestricted investment earnings				136,544	3,973	140,517
Other				10,245	0	10,245
Total general revenues				<u>3,157,210</u>	<u>3,973</u>	<u>3,161,183</u>
Changes in net assets				475,283	12,196	487,479
Net assets beginning of year				<u>4,000,787</u>	<u>129,983</u>	<u>4,130,770</u>
Net assets end of year				<u>\$ 4,476,070</u>	<u>142,179</u>	<u>4,618,249</u>

\* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

UNITED COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Total
<b>Assets</b>						
Cash and pooled investments	\$ 973,297	11,502	426,503	714,204	274,447	2,399,953
Receivables:						
Property tax:						
Delinquent	11,589	0	1,081	2,173	0	14,843
Succeeding year	1,494,823	0	50,000	292,148	0	1,836,971
Income surtax	91,366	0	0	0	0	91,366
Interfund	6,000	0	0	0	0	6,000
Due from other governments	674,290	0	0	0	55,654	729,944
<b>Total Assets</b>	<b>\$ 3,251,365</b>	<b>11,502</b>	<b>477,584</b>	<b>1,008,525</b>	<b>330,101</b>	<b>5,079,077</b>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Interfund payable	\$ 13,298	0	0	0	0	13,298
Accounts payable	17,559	40	1,512	90,222	0	109,333
Salaries and benefits payable	177,262	0	0	0	0	177,262
Deferred revenue:						
Succeeding year property tax	1,494,823	0	50,000	292,148	0	1,836,971
Income surtax	91,366	0	0	0	0	91,366
Total liabilities	1,794,308	40	51,512	382,370	0	2,228,230
Fund balances:						
Reserved for:						
Market factor	1,734	0	0	0	0	1,734
Unreserved	1,455,323	11,462	426,072	626,155	330,101	2,849,113
Total fund balances	1,457,057	11,462	426,072	626,155	330,101	2,850,847
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,251,365</b>	<b>11,502</b>	<b>477,584</b>	<b>1,008,525</b>	<b>330,101</b>	<b>5,079,077</b>

SEE NOTES TO FINANCIAL STATEMENTS.

UNITED COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2007

**Total fund balances of governmental funds (page 16)** \$ 2,850,847

***Amounts reported for governmental activities in the  
statement of net assets are different because:***

Capital assets used in governmental activities are not  
financial resources and, therefore, are not report as  
assets in in the governmental funds. 1,567,449

Accounts receivable income surtax, are not yet available  
to finance expenditures of the current period. 91,366

Long-term liabilities, including early retirement and  
compensated absences, are not due and payable in the  
current period and, therefore, are not reported as  
liabilities in the governmental funds. (33,592)

**Net assets of governmental activites (page 14)** \$ 4,476,070

UNITED COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007

	General	Student Activity	Manage- ment Levy	Physical Plant and Equipment Levy	Capital Projects	Total
<b>REVENUES:</b>						
Local sources:						
Local tax	\$ 1,612,437	0	140,319	282,485	187,882	2,223,123
Tuition	1,219,202	0	0	0	0	1,219,202
Other	108,130	2,816	20,855	27,474	8,628	167,903
State sources	1,032,672	0	0	0	39,200	1,071,872
Federal sources	92,371	0	0	0	0	92,371
Total revenues	4,064,812	2,816	161,174	309,959	235,710	4,774,471
<b>EXPENDITURES:</b>						
Current:						
Instruction:						
Regular instruction	2,433,943	0	18,863	0	0	2,452,806
Special instruction	392,082	0	0	0	0	392,082
Other instruction	84,923	2,049	0	0	0	86,972
	2,910,948	2,049	18,863	0	0	2,931,860
Support services:						
Student services	137,981	0	0	0	0	137,981
Instructional staff services	18,336	0	0	0	0	18,336
Administration services	386,646	0	10,504	0	0	397,150
Operation and maintenance of plant services	243,649	0	11,227	0	0	254,876
Transportation services	155,541	0	11,122	0	0	166,663
	942,153	0	32,853	0	0	975,006
Non-instructional programs:						
Food service operations	0	0	1,570	0	0	1,570
Community service operations	459	0	0	0	0	459
	459	0	1,570	0	0	2,029
Other expenditures:						
Facilities acquisitions	0	0	0	194,683	46,211	240,894
AEA flowthrough	119,439	0	0	0	0	119,439
	119,439	0	0	194,683	46,211	360,333
Total expenditures	3,972,999	2,049	53,286	194,683	46,211	4,269,228
Excess of revenues over expenditures	91,813	767	107,888	115,276	189,499	505,243
Other financing sources:						
Sale of equipment	1,001	0	0	0	0	1,001
Net change in fund balances	92,814	767	107,888	115,276	189,499	506,244
Fund balance beginning of year	1,364,243	10,695	318,184	510,879	140,602	2,344,603
Fund balance end of year	\$ 1,457,057	11,462	426,072	626,155	330,101	2,850,847

SEE NOTES TO FINANCIAL STATEMENTS.

UNITED COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2007

Net change in fund balances - total governmental funds (page 18) \$ 506,244

*Amounts reported for governmental activities in the  
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 132,542	
Depreciation expense	<u>(177,762)</u>	(45,220)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	\$ 8,416	
Compensated absences	<u>5,843</u>	<u>14,259</u>

Changes in net assets of governmental activities (page 15) \$ 475,283

UNITED COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2007

	School Nutrition	School Resale	Daycare	Total
<b>Assets</b>				
Cash and pooled investments	\$ 12,701	10,987	72,186	95,874
Receivables:				
Interfund	0	0	13,298	13,298
Accounts	0	0	6,000	6,000
Inventories	1,968	0	0	1,968
Capital assets, net of accumulated depreciation (Note 4)	49,432	0	0	49,432
<b>Total Assets</b>	<b>64,101</b>	<b>10,987</b>	<b>91,484</b>	<b>166,572</b>
<b>Liabilities</b>				
Interfund payable	6,000	0	0	6,000
Accounts payable	0	0	635	635
Salaries and benefits payable	8,861	0	8,148	17,009
Unearned revenues	749	0	0	749
<b>Total Liabilities</b>	<b>15,610</b>	<b>0</b>	<b>8,783</b>	<b>24,393</b>
<b>Net Assets</b>				
Invested in capital assets	49,432	0	0	49,432
Unrestricted	(941)	10,987	82,701	92,747
<b>Total Net Assets</b>	<b>\$ 48,491</b>	<b>10,987</b>	<b>82,701</b>	<b>142,179</b>

SEE NOTES TO FINANCIAL STATEMENTS.

UNITED COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2007

	School Nutrition	School Resale	Daycare	Total
OPERATING REVENUE:				
Local sources:				
Charges for services	\$ 65,348	2,725	115,314	183,387
TOTAL OPERATING REVENUES	65,348	2,725	115,314	183,387
OPERATING EXPENSES:				
Non-instructional programs:				
Salaries	45,535	0	61,384	106,919
Benefits	18,782	0	16,971	35,753
Supplies	71,000	1,808	14,994	87,802
Other	561	0	154	715
Depreciation	7,760	0	0	7,760
TOTAL OPERATING EXPENSES	143,638	1,808	93,503	238,949
OPERATING INCOME (LOSS)	(78,290)	917	21,811	(55,562)
NON-OPERATING REVENUES:				
State sources	1,808	0	0	1,808
Federal sources	61,977	0	0	61,977
Interest income	420	552	3,001	3,973
TOTAL NON-OPERATING REVENUES	64,205	552	3,001	67,758
Change in net assets	(14,085)	1,469	24,812	12,196
Net assets beginning of year	62,576	9,518	57,889	129,983
Net assets end of year	\$ 48,491	10,987	82,701	142,179

SEE NOTES TO FINANCIAL STATEMENTS.



Exhibit I

UNITED COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2007

	School Nutrition	School Resale	Daycare	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 67,287	2,725	0	70,012
Cash received from miscellaneous	601	0	109,314	109,915
Cash payments to employees for services	(59,933)	0	(71,482)	(131,415)
Cash payments to suppliers for goods or services	(65,138)	(1,808)	(14,713)	(81,659)
Net cash provided by (used in) operating activities	(57,183)	917	23,119	(33,147)
Cash flows from non-capital financing activities:				
Transfer from(to) the General Fund	6,000	0	(13,298)	(7,298)
State grants received	1,808	0	0	1,808
Federal grants received	55,282	0	0	55,282
Net cash provided by(used in) non-capital financing activities	63,090	0	(13,298)	49,792
Cash flows from investing activities:				
Interest on investments	420	552	3,001	3,973
Net increase in cash and cash equivalents	6,327	1,469	12,822	20,618
Cash and cash equivalents at beginning of year	6,374	9,518	59,364	75,256
Cash and cash equivalents at end of year	\$ 12,701	10,987	72,186	95,874
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:				
Operating income(loss)	\$ (78,290)	917	21,811	(55,562)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:				
Commodities consumed	6,695	0	0	6,695
Depreciation	7,760	0	0	7,760
Increase in inventories	(272)	0	0	(272)
Decrease in prepaid expenses	2,400	0	0	2,400
Increase in accounts receivable	0	0	(6,000)	(6,000)
Increase in accounts payable	0	0	435	435
Increase in salaries and benefits payable	4,384	0	6,873	11,257
Increase in unearned revenue	140	0	0	140
Net cash provided by(used in) operating activities	\$ (57,183)	917	23,119	(33,147)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:				
Current assets:				
Cash and pooled investments	\$ 12,701	10,987	72,186	95,874

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received Federal commodities valued at \$6,695.

SEE NOTES TO FINANCIAL STATEMENTS.

UNITED COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

**(1) Summary of Significant Accounting Policies**

The United Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Boone, Iowa, and the predominate agricultural territory in Story and Boone Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, United Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The United Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Story and Boone Counties Assessors' Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference

reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Management Fund is utilized to account for the payment of property insurance, early retirement benefits and unemployment benefits.

The Physical Plant & Equipment Levy (PPEL) Fund is used to account for machinery and equipment expenditures as well as the improvements to capital facilities.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Student Activity Fund is used to account for all the co-curricular and extra-curricular activities of student-run organizations or sponsored clubs.

The District's proprietary funds are the School Nutrition Fund, School Resale Fund, and the Daycare Fund. The Nutrition fund is used to account for the food service operations of the District. The School Resale Fund is used to account for the resale operations of the District. The Daycare fund is used to account for the daycare operations of the District.

#### C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used

to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

### (2) **Cash and Pooled Investments**

The District's deposits at June 30, 2007 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint

investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the District had investments in the Iowa Schools as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 279</u>

**(3) Due From and Due to Other Funds**

The detail of interfund receivable and payables at June 30, 2007 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Enterprise, Day Care	General	\$ 13,298
General	Enterprise, School Nutrition	<u>6,000</u>
Total		<u>\$ 19,298</u>

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2007 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Business-type activities:				
Machinery and equipment	\$ 92,655	0	0	92,655
Less accumulated depreciation	35,463	7,760	0	43,223
Business-type activities capital assets, net	<u>\$ 57,192</u>	<u>(7,760)</u>	<u>0</u>	<u>49,432</u>



	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 30,821	0	0	30,821
Total capital assets not being depreciated	30,821	0	0	30,821
Capital assets being depreciated:				
Buildings	1,155,050	0	0	1,155,050
Land improvements	527,284	0	0	527,284
Building improvements	776,381	128,718	0	905,099
Machinery and equipment	1,500,685	3,824	187,039	1,317,470
Total capital assets being depreciated	3,959,400	132,542	187,039	3,904,903
Less accumulated depreciation for:				
Buildings	836,609	23,101	0	859,710
Land improvements	244,962	25,653	0	270,615
Building improvements	143,875	45,255	0	189,130
Machinery and equipment	1,152,106	83,753	187,039	1,048,820
Total accumulated depreciation	2,377,552	177,762	187,039	2,368,275
Total capital assets being depreciated, net	1,581,848	(45,220)	0	1,536,628
Governmental activities capital assets, net	\$ 1,612,669	(45,220)	0	1,567,449

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 27,939
Special	4,528
Other	914
Support services:	
Instructional staff	840
Administration	4,379
Operation and maintenance of plant	2,536
Transportation	42,617
	83,753
Unallocated depreciation	94,009
Total governmental activities depreciation expense	\$ 177,762
Business-type activities:	
Food services	\$ 7,760
Total business-type activities depreciation expense	\$ 7,760

**(5) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Compensated absences	\$ 19,315	13,472	19,315	13,472	13,472
Early Retirement	28,536	364	8,780	20,120	5,365
Total	\$ 47,851	13,836	28,095	33,592	18,837

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed ten years of service as a full-time employee. Employees must complete an application, which is subject to approval by the Board of Education. Early retirement incentives for each eligible employee will be based on the employee salary schedule in effect the last year of the employees employment with the District. The employee will receive 30 percent of the current years salary less phase money, supplemental pay or extended contract pay. Early retirement expenditures for the year ended June 30, 2007 totaled \$8,780.

**(6) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$77,243, \$77,273 and \$76,278 respectively, equal to the required contributions for each year.

**(7) Risk Management**

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2007 were \$170,858.

Members agree to continue membership in the pool for a period of not less than one full year. After such a period, a member who has given 30 days prior written notice may withdraw.

United Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(8) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$119,439 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(9) Deficit Net Assets**

The Proprietary Fund, School Nutrition Fund had deficit unrestricted net assets of \$941 at June 30, 2007.

REQUIRED SUPPLEMENTARY INFORMATION

UNITED COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2007

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 3,610,228	187,360	3,797,588	3,752,125	3,752,125	45,463
State sources	1,071,872	1,808	1,073,680	1,268,183	1,268,183	(194,503)
Federal sources	92,371	61,977	154,348	211,000	211,000	(56,652)
Total revenues	4,774,471	251,145	5,025,616	5,231,308	5,231,308	(205,692)
Expenditures:						
Instruction	2,931,860	0	2,931,860	3,083,939	3,083,939	152,079
Support services	975,006	0	975,006	1,107,700	1,107,700	132,694
Non-instructional programs	2,029	238,949	240,978	452,818	452,818	211,840
Other expenditures	360,333	0	360,333	1,187,192	1,187,192	826,859
Total expenditures	4,269,228	238,949	4,508,177	5,831,649	5,831,649	1,323,472
Excess(deficiency) of revenues over(under) expenditures	505,243	12,196	517,439	(600,341)	(600,341)	(1,117,780)
Other financing sources, net	1,001	0	1,001	1,500	1,500	499
Excess(deficiency) of revenues over(under) expenditures	506,244	12,196	518,440	(598,841)	(598,841)	(1,117,281)
Balance beginning of year	2,344,603	129,983	2,474,586	1,876,617	1,876,617	597,969
Balance end of year	\$ 2,850,847	142,179	2,993,026	1,277,776	1,277,776	1,715,250

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

UNITED COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

UNITED COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Instrumental Music	\$ 2,784	855	1,166	2,473
Interest	0	539	87	452
Pop	7,911	1,422	796	8,537
Total	<u>\$ 10,695</u>	<u>2,816</u>	<u>2,049</u>	<u>11,462</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



UNITED COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FOUR YEARS

		Modified Accrual Basis			
		Years Ended June 30,			
		2007	2006	2005	2004
<b>Revenues:</b>					
Local sources:					
Local tax	\$	2,223,123	2,188,783	2,113,951	2,161,356
Tuition		1,219,202	1,035,103	1,045,940	1,006,027
Other		167,903	145,050	75,636	48,305
State sources		1,071,872	1,253,714	1,115,796	990,837
Federal sources		92,371	90,716	86,328	94,537
Total	\$	4,774,471	4,713,366	4,437,651	4,301,062
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular instruction	\$	2,452,806	2,233,046	2,449,747	2,377,029
Special instruction		392,082	467,737	430,068	543,172
Other instruction		86,972	108,152	1,960	22,003
Support services:					
Student services		137,981	126,054	49,587	48,855
Instructional staff services		18,336	50,248	43,795	72,729
Administration services		397,150	351,022	347,571	350,298
Operation and maintenance of plant services		254,876	235,374	215,282	226,266
Transportation services		166,663	229,511	178,676	224,964
Non-instructional programs					
Food service operations		1,570	1,158	31,503	23,617
Community service operations		459	1,452	1,032	4,116
Other expenditures:					
Facilities acquisitions		240,894	178,190	333,960	163,091
AEA flow-through		119,439	117,851	115,415	118,556
Total	\$	4,269,228	4,099,795	4,198,596	4,174,696

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

# **NOLTE, CORNMAN & JOHNSON P.C.**

## **Certified Public Accountants**

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Education of the  
United Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of United Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 7, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered United Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of United Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of United Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects United Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of United Community School District's financial statements that is more than inconsequential will not be prevented or detected by United Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by United Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether United Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

United Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit United Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of United Community School District and other parties to whom United Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of United Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

NOLTE, CORNMAN & JOHNSON, P.C.

March 7, 2008

UNITED COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

- I-A-07 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible where appropriate.

Conclusion - Response accepted.

- I-B-07 Bank Reconciliations - We noted during our audit that the District does not reconcile the bank statements to the general ledger on a timely basis.

Recommendation - The District should reconcile bank statement balances to financial statement balances on a monthly basis. All receipts should be posted to the accounting system in the same month that they are received. The bank reconciliation when performed timely, and reconciling items adjusted would provide support for the cash position. This would allow the user of the monthly financial statements a higher confidence in the amount of cash reflected on the balance sheet.

If the accounting staff is not comfortable using the accounting software to perform bank reconciliations, the District should consider sending their accounting staff to software training on bank reconciliations.

Response - The District will reconcile the bank statements to the general ledger on a timely basis.

Conclusion - Response accepted.

- I-C-07 Closing of Funds - During our audit issues arose about the properness of certain transactions within the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8).

It was also noted that the District is maintaining a minimal balance for the internal service fund that is no longer in existence.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281--12.6(1). The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear that all of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, the District should consider closing the Student Activity Fund and start running the revenues and expenditures through the General Fund.

The balance remaining in the internal service fund should be transferred to the General Fund and the fund closed out.

Response - The District will transfer the pop account to the Enterprise Fund and the Band Resale account to the General Fund. The balance remaining in the internal service fund will be transferred to the General Fund and closed.

Conclusion - Response accepted.

- I-D-07 Reliable Financial Statements - Iowa School Districts are required to record the financial records on a GAAP Basis of Accounting. The financial records are normally converted at year end, after a year of cash based records. The recognition of receivables, payables, inventory, long-term debt recognition and depreciation of capital assets are all pieces which the accounting personnel is expected to be completing. The individuals performing the accounting function needs to be well trained in all areas to be effective in completing the Certified Annual Report. The Iowa Association of School Business Officials provides training to its members as does the Department of Education and Software Unlimited. This training helps in providing instruction as well as promotes networking of other accounting personnel. The District records required numerous end-of-year adjustments. There were no adjustments made for the changes in inventories, capital assets or long-term debt.

Recommendation - The maintenance of reliable accounting records has and continues to be important in every district. The necessity of the numerous adjustments for the financial statements may indicate that additional training is necessary for the accounting personnel. The District should consider sending their accounting staff to end-of-year training in an effort to provide more reliable financial statements.

Response - The District has hired new accounting staff and feels that reliable financial statements will be provided.

Conclusion - Response accepted.

- I-E-07 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation which have been outstanding for over a year.

Recommendation - Per Chapter 556.1(10) and 556.11 of the Code of Iowa, the District is required to report unclaimed property to the State Treasurer annually before November 1<sup>st</sup>. The District should submit the outstanding checks to the State Treasurer as unclaimed property.

Response - The District will report unclaimed property to the State Treasurer annually before November 1<sup>st</sup>. The District will review outstanding checks on a regular basis.

Conclusion - Response accepted.

- I-F-07 Nutrition Procedures - We noted during the audit that within the School Nutrition Fund, the commodity food listing was not priced out correctly at the end of the year.

Recommendation - The District should review their procedures to ensure that the commodity food is priced out correctly.

Response - The District will price out the commodity food inventory using the correct values as per the National School Lunch Program.

Conclusion - Response accepted.

- I-G-07 Supporting Documents for Meal Reimbursements - It was noted during the audit, an instance of a meal reimbursement which lacked a detailed receipt for supporting documentation.

Recommendation - The District has a policy in place for credit card usage, which states that the users need to provide detailed receipts for purchases made. The District should review procedures in place with personnel to ensure the proper detailed documentation will be available with paid meal reimbursements.

Response - The District will review procedures with personnel to ensure the proper detailed documentation is included on all paid meal reimbursements.

Conclusion - Response accepted.

- I-H-07 Board Reports - The District does not appear to be providing financial statements to the board on a monthly basis.

Recommendation - Chapter 291.7 of the Code of Iowa indicates that the board secretary will provide the board of directors a complete statement of all receipts and disbursements from the various funds during the preceding month, and also the balance remaining on hand in the various funds at the close of the period covered by the statement.

Response - The District will provide financial statements to the board on a monthly basis.

Conclusion - Response accepted.

- I-I-07 Payroll Procedures - It was noted during the audit that the payroll withholdings were not always paid in a timely manner.

Recommendation - The District should contact the State of Iowa, IPERS and the IRS to settle the outstanding balance. The District should request abatement of any penalties.

Response - The District will pay all of the payroll withholdings in a timely manner.

Conclusion - Response accepted.

UNITED COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Required Statutory Reporting

- II-A-07 Certified Budget - District expenditures for the year ended June 30, 2007, did not exceed the certified budget amounts in the functional areas.
- II-B-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-07 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - The District will see that the minutes get published in a timely manner as required.

Conclusion - Response accepted.

- II-G-07 Certified Enrollment - We noted no variance in the basic enrollment data certified to the Department of Education.
- II-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- II-J-07 Corrective Transfer - We noted during our audit that there were various items purchased from the Special Revenue, Physical Plant and Equipment Levy (PPEL) Fund and the Capital Projects Fund. Chapter 423 and 298 of the Code of Iowa provides allowable expense for the PPEL Fund and Capital Projects Fund.

It was also noted that the District has not transferred the \$920 to the PPEL Fund from the General Fund for classroom desks purchased in the 2005-06 fiscal year from the PPEL Fund.

Recommendation - The District should review the code for each fund for allowable expenses. The District should make a corrective transfer from the General Fund to the

PPEL Fund in the amount of \$920 for the classroom desks purchased in the 2005-06 fiscal year.

The District also needs to transfer from the General Fund to the PPEL Fund \$12,962 for maintenance agreements and other equipment under the \$500 per item threshold.

The District also needs to transfer from the General Fund to the Capital Projects Fund \$564.76 for equipment under the \$500 per item threshold.

Response - The District will review the code for each funds allowable expenses and make any corrective transfers between funds.

Conclusion - Response accepted.

II-K-07 Financial Condition - We noted during our audit that the Proprietary Fund, School Nutrition Fund had deficit unrestricted net assets of \$941 at June 30, 2007.

Recommendation - The District should monitor this deficit account and ensure that purchases are not made without the sufficient funds to pay for them. The District should investigate alternatives to eliminate these deficit balances.

Response - We are monitoring the fund and are working to eliminate the deficit balance.

Conclusion - Response accepted.